Supreme Court, U.S.
FILED
JUN 07 2000
CLERK

No. 99-1957

IN THE

Supreme Court of the United States

HAVANA CLUB HOLDING, S.A. and
HAVANA CLUB INTERNATIONAL, S.A.,

Petitioners,

v.

BACARDI & COMPANY LIMITED and
BACARDI-MARTINI USA, INC., *et al.*,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

BRIEF IN OPPOSITION

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RESTATEMENT OF QUESTIONS PRESENTED FOR REVIEW

1. Whether the United States Court of Appeals for the Second Circuit ("Court of Appeals") erred in affirming the summary dismissal of the trademark infringement claim of petitioner Havana Club Holding, S.A. ("HCH") on the ground that HCH, the purported assignee of the U.S. HAVANA CLUB trademark registration, had never acquired any interest whatsoever in that mark, where:

(a) It was undisputed that the U.S. HAVANA CLUB trademark registration was a U.S.-based asset held since 1976 in the name of Cubaexport, a Cuban governmental entity, which was subject to the provisions of the Cuban Assets Control Regulations ("CACR"), implementing the embargo on trade with Cuba that prohibit and render null and void any dealings in assets owned by Cuban nationals in the United States without the approval of the Office of Foreign Assets Control ("OFAC"); and

(b) It was established that petitioners had applied for a specific OFAC license approving the purported 1994 assignments of that mark to HCH and that OFAC had subsequently revoked that license and declared that all actions taken under the license (i.e., the trademark assignments) were a nullity; and

(c) The Court of Appeals held: (i) that the CACR general intellectual property license provision, 31 C.F.R. § 515.527(a)(1) — which HCH argued authorized the 1994 HAVANA CLUB trademark assignments — had no application to those assignments since

this provision was not retroactive and was not issued until 1995, a year after the assignments had been "effected" (10a-11a)[1]; and (ii) that in any event, the unmistakable intent of Congress, as manifested in the CACR and their empowering legislation, was to prohibit transactions that led to the flow of hard currency into Cuba, and this clear congressional purpose superseded any possible conflicting interpretation urged under the General Inter-American Convention for Trade Mark and Commercial Protection ("IAC"), 46 Stat. 2907 (1929) (14a).

2. Whether the Court of Appeals erred in affirming the dismissal of petitioners' federal false advertising claim under section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), for lack of standing, where:

(a) It had previously been determined that petitioners had no rights whatsoever in either the trademark or the trade name HAVANA CLUB in the United States (38a); and

(b) The facts adduced at trial showed that petitioners had never sold rum in the United States and had suffered no real or probable commercial injury attributable to the alleged tortious conduct of Bacardi.

3. Whether the Court of Appeals erred in affirming the dismissal pursuant to section 211 of the Omnibus Consolidated and Emergency Supplemental Appropriations

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1. Citation to Appendix to Petition for a Writ of Certiorari.

Act of 1999, Pub. L. No. 105-277, 112 Stat. 2681 (1998) ("section 211"), of petitioners' trade name infringement claim under the IAC and Lanham Act, where:

(a) HCH had been found to have no standing, as a Luxembourg national, to assert claims under the IAC; and

(b) The unambiguous language of section 211(b) precluded HCI, a designated Cuban national, from asserting rights in a trade name that was used in connection with the rum business of Jose Arechabala, S.A. ("JASA") which had been confiscated by the Castro regime since JASA, the rightful owner of those trade name rights, had concededly not consented to HCI's use; and

(c) The District Court found that application of section 211 would not upset any settled expectations of HCI because HCI had no sales or reputation in the United States (52a); and

(d) HCI sought no monetary damages, but only injunctive relief, which operates *in futuro*, so under the precedent of this Court dating back more than a century and confirmed in *Landgraf v. USI Film Products*, 511 U.S. 244 (1994), application of section 211 had no impermissible retroactive effect.

RULE 29.6 STATEMENT

Respondents, Bacardi & Company Limited, a privately held corporation organized under the laws of Liechtenstein, and Bacardi-Martini U.S.A., Inc., a privately held Delaware corporation, are wholly-owned subsidiaries, directly or indirectly, of Bacardi Limited, a privately held company organized under the laws of Bermuda. No publicly held company owns 10% or more of the stock of either respondent.

TABLE OF CONTENTS

	Page
Restatement of Questions Presented for Review ..	i
Rule 29.6 Statement	iv
Table of Contents	v
Table of Cited Authorities	vii
Statement of Jurisdiction	1
Statement of the Case	2
A. Statement Of Facts	3
1. The Confiscation Of The HAVANA CLUB Brand	3
2. The Pernod/Castro Joint Venture	4
3. Petitioners HCH And HCI	4
4. Efforts To Buy Rights To The HAVANA CLUB Trademark From The Arechabala Family By Pernod And Other Liquor Giants	5
B. Proceedings Below	6
Trademark Infringement Claim	6
Trade Name Infringement And Federal False Advertising Claims	8

Contents

	Page
Introduction to Argument	10
Reasons for Denying the Writ	13
I. The Decision Below Follows This Court's Direction That A Clear Expression By Congress As To When A Subsequent Statute Governs Must Be Heeded	13
II. The Decision That Petitioners Had No Standing To Pursue A Section 43(a) False Designation Of Origin Claim Accords With Long Standing Lanham Act Precedent And Fails To Conflict With Any Treaty Rights Of Petitioners	18
III. The Second Circuit Did Not Apply Section 211 Retroactively	23
Conclusion	24

TABLE OF CITED AUTHORITIES

Page

Cases:

Amer. Council of Certified Podiatric Physicians & Surgeons v. Amer. Bd. of Podiatric Surgery, Inc., 185 F.3d 606 (6th Cir. 1999) 21

Baglin v. Cusenier Co., 221 U.S. 580 (1911) 17

Camel Hair & Cashmere Inst. of Am., Inc. v. Associated Dry Goods Corp., 799 F.2d 6 (1st Cir. 1986) 20, 21

Colligan v. Activities Club of New York, 442 F.2d 686 (2d Cir. 1971) 21

Compania Ron Bacardi, S.A. v. Bank of Nova Scotia, 193 F. Supp. 814 (S.D.N.Y. 1961) 17

Cook v. United States, 288 U.S. 102 (1933) 16

Landgraf v. USI Film Products, 511 U.S. 244 (1994) ..... iii, 23

Miranda v. Secretary of the Treasury, 766 F.2d 1 (1st Cir. 1985) 15, 16

PDK Labs, Inc. v. Friedlander, 103 F.3d 1105 (2d Cir. 1997) 10

Pennsylvania v. Wheeling & Belmont Bridge Co., 59 U.S. (18 How.) 421 (1855) 24

Cited Authorities

	Page
Regan v. Wald, 468 U.S. 222 (1984)	11
Republic of Iraq v. First Nat'l City Bank, 241 F. Supp. 567 (S.D.N.Y. 1965), *aff'd*, 353 F.2d 47 (2d Cir. 1965), *cert. denied*, 382 U.S. 1027 (1966)	17
Rice v. Sioux City Mem'l. Park Cemetery, 349 U.S. 70 (1955)	1
Richardson v. Simon, 560 F.2d 500 (2d Cir. 1977), *appeal dismissed*, 435 U.S. 939 (1978)	12
Southland Sod Farms v. Stover Seed Co., 108 F.3d 1134 (9th Cir. 1997)	21
United States v. Ron Pair Enters., Inc., 489 U.S. 235 (1989)	18
Vanity Fair Mills, Inc. v. T. Eaton Co., 234 F.2d 633 (2d Cir. 1956)	9
Warth v. Seldin, 422 U.S. 490 (1975)	20
West Virginia University Hospitals, Inc. v. Casey, 499 U.S. 83 (1991)	15
Whitney v. Robertson, 124 U.S. 190 (1888)	14
Witters v. Washington Dep't of Servs. for the Blind, 474 U.S. 481 (1986)	12

Cited Authorities

Page

Treaties, Statutes and Regulations:

15 U.S.C. § 1052(a) *et seq.* 22

15 U.S.C. § 1125(a) (Lanham Act § 43(a)) ..... *passim*

15 U.S.C. § 1126 (Lanham Act § 44) ..... *passim*

15 U.S.C. § 1127 18

22 U.S.C. § 6022 12

27 C.F.R. § 5.34(a) 22

31 C.F.R. § 515.201(b) 11

31 C.F.R. § 515.201(c) 11

31 C.F.R. § 515.203(a) 11

31 C.F.R. § 515.502(a) 7

31 C.F.R. § 515.527(a)(1) ..... i, 7, 8, 15

General Inter-American Convention for Trade Mark and Commercial Protection ("IAC"), 46 Stat. 2907 (1929) ..... *passim*

Helms-Burton Act ("LIBERTAD"), Pub. L. No. 104-114, 110 Stat. 785 (1996) ..... *passim*

Cited Authorities

Page

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Sup. Ct. R. 10 1

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Statement of Administrative Authority, Cong. Rec. Vol. 140 (1994), U.S.C.C.A.N., 103d Cong. 2d Sess. 1994 22

Protection of Corporate Names: A Country by Country Survey App-3 (International Trademark Association 1999) at CA-5, ME-8, FR-6 and SP-8 25

STATEMENT OF JURISDICTION

This petition concerns the affirmance by the United States Court of Appeals for the Second Circuit (Winter, Chief Judge, Newman and Sotomayor, Circuit Judges) of Orders of the United States District Court for the Southern District of New York (Scheindlin, District Judge), which granted respondents a partial summary judgment, dismissing petitioner HCH's trademark infringement claim and which, after trial, dismissed petitioners' remaining claims for trade name infringement and federal false advertising.

Petitioners fail to present any compelling reason why the Court of Appeals' decision should be reversed or modified. *See* Sup. Ct. R. 10. The decision below does not raise any substantive federal issue which would elevate that decision "beyond the academic or the episodic." *Rice v. Sioux City Mem'l. Park Cemetery*, 349 U.S. 70, 74 (1955). There is no genuine conflict among the courts of appeals or between federal and state courts. The issues of substantive law alluded to in the petition — the application of federal legislation to pending cases and the relationship between treaties and subsequently enacted federal statutes — have been exhaustively treated by this Court. And the Court of Appeals, in its decision below, adhered faithfully to that case law.

Finally, the specter of adverse consequences to foreign relations or threats to American intellectual property rights abroad raised by petitioners is chimerical. In the petition, the respective claims of HCH for trademark infringement and of HCI for trade name infringement are conflated, and the different elements of substantive law governing each claim are deliberately obscured in order to create the false impression that this case presents novel legal questions with international

ramifications that ought to be resolved by this Court. The truth is that the case below was lost, not on far reaching international law issues, but on humdrum, everyday points such as standing and statutory interpretation. Adequate grounds do not exist which would justify the exercise of this Court's discretionary jurisdiction over this case.

STATEMENT OF THE CASE

Petitioners' Statement and prefatory arguments contain an extraordinary exposition of what petitioners, as opposed to Congress and the Executive Branch, believe the relationship should be between the Cuban embargo and earlier trademark conventions ratified by the United States (Br. at 3-5, 12-14). That exposition is rife with extrarecord materials and misstatements of fact, as discussed separately below. Petitioners' statement of the case omits material facts, treats materials outside the record as facts, and includes numerous misstatements of fact.[2] No cogent account of what transpired below is provided. Omitted entirely from the description of the proceedings below are two crucial holdings: (i) that HCH, a Luxembourg corporation, cannot assert rights under the IAC (7a), and (ii) that the CACR general license provision (which HCH argues

2. One egregious example of petitioners' lack of fidelity to the findings below is the repeated, unqualified assertions that the original owner of the HAVANA CLUB mark, JASA, "had abandoned all rights in the 'Havana Club' trademark worldwide" (Br. at 7, 14, 16, 27). Petitioners moved the District Court to amend its original decision, ostensibly to avoid the possibility that the decision would be misread as finding no abandonment. Accordingly, the District Court's Amended Order made it clear that the "Court had no reason to decide — and did not decide — whether or not the Arechabalas owned a valid trademark in the Havana Club name at the time [of the Bacardi Agreement]" (A720 of the Joint Appendix). Under these circumstances, petitioners' flat assertion that the mark was abandoned is, at best, reckless.

authorized the 1994 HAVANA CLUB trademark assignments) did not do so, because that provision, which issued in 1995, was prospective in effect (10a-11a).

Set out below is a chronological statement of the salient facts and an accurate description of the proceedings below.

A. Statement Of Facts

1. The Confiscation Of The HAVANA CLUB Brand

HAVANA CLUB rum was first made in Cuba with a secret family formula by Jose Arechabala, S.A. ("JASA"), a family-owned corporation (41a). From the 1930's until 1960, JASA exported HAVANA CLUB rum to the United States (*id.*). JASA thus owned all rights to the trade name and trademark HAVANA CLUB for rum in Cuba, the United States, and elsewhere. In 1960, the Cuban assets of JASA's "Havana Club" rum business were taken at gunpoint by armed forces of the Castro government (41a). No compensation was ever paid to JASA or its shareholders, who were forced to flee Cuba for a life in exile (42a).

After the confiscation, Cubaexport, a Cuban state foreign trade enterprise, took over JASA's former "Havana Club" rum business, exporting its version of HAVANA CLUB rum, mainly to Soviet Bloc countries (42a). In 1963, the United States imposed an embargo prohibiting trade with Cuba and imposing a total freeze on Cuban assets, both public and private, located in the United States (40a). No Cuban rum has been exported and sold here since the embargo started.

Cubaexport registered the HAVANA CLUB trademark with Cuban authorities in 1974 and in 1976 obtained a U.S. registration of the HAVANA CLUB trademark based on its earlier Cuban registration (4a).

2. The Pernod/Castro Joint Venture

After the Soviet Union's collapse, the Castro government, desperate for hard currency, sought foreign investment partners. In November 1993, Pernod Ricard, S.A. ("Pernod"), a French liquor conglomerate, entered into a joint venture agreement (the "Convenio") with Havana Rum & Liquors ("HRL"), a Cuban governmental entity, to exploit internationally the "Havana Club" rum business previously expropriated from JASA (42a-43a). Petitioners were established to implement the Convenio.

3. Petitioners HCH And HCI

HCH is a Luxembourg corporation, whose sole purpose is to hold title to whatever rights the Castro government could convey to the HAVANA CLUB trademark worldwide (38a). HCH has no offices or commercial establishment in Cuba. HCI is a Cuban joint stock company domiciled in Cuba (*id.*). HCI distributes and sells the HAVANA CLUB rum produced for the Pernod/Castro joint venture.[3] HCH and HCI are each 50% owned, directly or indirectly, by Pernod and the Castro government (*id.*).

In accordance with the terms of the Convenio, Cubaexport's U.S. HAVANA CLUB trademark registration was the subject of successive assignment agreements, dated 10 January 1994 and 22 June 1994, respectively, which purported to transfer title, first from Cubaexport to HRL and then from HRL to petitioner HCH (4a).

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3. Rum produced in Panama was sold by HCI under the HAVANA CLUB trademark.

4. Efforts To Buy Rights To The HAVANA CLUB Trademark From The Arechabala Family By Pernod And Other Liquor Giants

Pernod knew, before entering the Convenio, that the "Havana Club" rum business in which Pernod was investing had been expropriated from JASA by its joint venture partner, the Castro government. In 1993, near the time when the Convenio was concluded, Pernod instructed Emilio Cuatrecasas, its Spanish legal adviser, to try to secure the worldwide rights of JASA's shareholders to the HAVANA CLUB trademark (43a). Pernod was worried about litigation with the Arechabalas, who had put Pernod's chairman on written notice of their rights. Mr. Thierry Jacquillat, Pernod's President and a director of HCH, was especially concerned about an Arechabala suit in Cuba after democracy was restored (E538 of the Joint Appendix). However, Pernod's efforts to strike a deal failed (43a).[4]

Other major international liquor companies also approached the Arechabala family for the same purpose (43a). The Arechabalas eventually found a partner willing to purchase the HAVANA CLUB trademark for a fair price in Bacardi (*id.*). An agreement in principle as to that sale was reached by 1995, but because of the intricate formalities of completing a transaction with a Cuban company-in-exile

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4. These contemporaneous actions belie the more recent, self-serving assertion that Pernod had concluded the Arechabalas had abandoned rights to the HAVANA CLUB trademark. The Court of Appeals noted that "[w]e need not determine whether JASA abandoned the "Havana Club" mark" (16a).

with shareholders scattered throughout Spain and the United States, that agreement was not formally executed until 1997 (*id.*). Under this agreement, Bacardi & Co. acquired whatever rights the Arechabalas possessed in any HAVANA CLUB trademark, the related goodwill of the business, and any rum business assets that the Arechabalas still owned (*id.*).

In 1994, Galleon, S.A., a corporation later merged into Bacardi & Co. applied to register the HAVANA CLUB trademark for rum in the PTO, and in July 1995, Bacardi petitioned the PTO to cancel HCH's U.S. HAVANA CLUB trademark registration. In mid-1995, Bacardi launched sales in the United States of HAVANA CLUB rum produced in the Bahamas (43a).

B. Proceedings Below

Bacardi's cancellation petition charged petitioners, *inter alia*, with fraud and CACR violations. That proceeding was ultimately suspended pending the outcome of this action.

The cancellation petition prompted petitioners to go to OFAC, which administers the embargo against Cuba, and apply for a specific license retroactively approving the HAVANA CLUB trademark assignments (4a). Petitioners falsely affirmed in their application, under pain of perjury, that the transfers of the U.S. HAVANA CLUB trademark registration resulted from an internal reorganization of the Cuban rum industry. In November 1995, OFAC issued a specific license to petitioners (5a).

Trademark Infringement Claim

In December 1996, petitioners brought this suit (6a). Petitioners' complaint set out HCH's federal trademark

infringement claim and a section 43(a) Lanham Act false advertising claim. Bacardi answered and counterclaimed, seeking, *inter alia*, cancellation of HCH's U.S. HAVANA CLUB trademark registration on the basis that the recently granted OFAC license approving the transfer was obtained fraudulently (*id.*). In March 1997, the District Court determined that Bacardi lacked standing to challenge OFAC's action but noted that Bacardi was free to pursue its concerns directly with OFAC (*id.*).

In April 1997, OFAC notified petitioners that their license had been revoked and advised them that any action taken under the license was null and void (5a). In August 1997, Bacardi moved for partial summary judgment on the ground that HCH had no rights whatsoever in the HAVANA CLUB trademark in the United States as the trademark assignment was a nullity under the CACR. The District Court granted summary judgment, rejecting petitioners' make-weight argument that although a specific license had been sought and lost, the trademark assignment was nonetheless permitted under 31 C.F.R. § 515.527(a)(1) (a general CACR license provision allowing for the registration and renewal of trademarks) (7a).

The Court of Appeals affirmed, pointing out that the assignments which HCH argued were authorized by section 515.527(a)(1) were "effected" in 1994, a year before section 515.527(a)(1) was issued in 1995 (11a). Moreover, 31 C.F.R. § 515.502(a) prohibited section 515.527(a)(1) from being given retroactive effect. Accordingly, the Court of Appeals held that the 1994 assignments of the HAVANA CLUB mark to HCH were not authorized by the prospective general license provision issued in 1995 permitting registration and maintenance of Cuban trademarks. The Court of Appeals alternatively held that even if this timing obstacle were ignored, it would still not accept

HCH's argument that the assignments were authorized under section 515.527(a)(1) as transactions related to trademark renewal (11a). To accept petitioners' strained reading would allow the exception to swallow the CACR's broad prohibition on trademark transfers. IAC considerations could not sway this decision given the clear expression of Congress' intent to override any protection that the IAC might otherwise provide (14a). The Court of Appeals ruled that primacy had to be given to the prohibition of the CACR barring a Cuban national from transferring a trademark because the intent of Congress "to prevent any Cuban national or entity from attracting hard currency into Cuba by selling, assigning or otherwise transferring rights subject to United States jurisdiction" could not have been clearer (14a).

Trade Name Infringement And Federal False Advertising Claims

Petitioners then amended their complaint to assert a claim for the infringement of the "Havana Club" trade name under the IAC, Chapter III, and sections 44(g) and 44(h) of the Lanham Act (7a). Petitioners hoped somehow to use this last ditch treaty trade name claim as a surrogate which would somehow restore the "rights" to the HAVANA CLUB trademark in the United States that HCH had irretrievably lost through its own malfeasance.

After the close of petitioners' case, the District Court ruled that HCH, a Luxembourg corporation, could not assert a trade name protection claim under the IAC (7a),[5] a decision in which

5. Section 44(b) of the Lanham Act, 15 U.S.C. § 1126(b), which implements the IAC and other international trademark conventions to which the United States is a party extends standing to "any person whose country of origin" is a party to a trademark treaty or convention to which the United States is also a party. Luxembourg is not a party to the IAC (7a).

HCH's counsel concurred. Since the standing requirement set out in section 44(b) of the Lanham Act governs all IAC claims, HCH also lacks standing to assert trademark or false designation of origin claims under the IAC.

After trial, the District Court ruled that section 211(b) precluded HCI's pursuit of its claim for infringement of the trade name "Havana Club" (8a). The District Court also decided that petitioners lacked standing to bring their federal false origin claim under section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), because petitioners' ability to enter the U.S. market is "too remote" to confer standing (61a).

The Court of Appeals rejected HCI's arguments that section 211 did not apply because HCI's claim arose directly under the IAC and abandonment was a common law exception to section 211. The legislative history, the text, and the case law under the Lanham Act, beginning with *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 641 (2d Cir. 1956), all supported the conclusion that HCI's trade name rights under the IAC must be asserted pursuant to section 44(b) of the Lanham Act (21a-23a). Though this Court had earlier ruled the IAC was, at least in part, self-executing, Congress was free to eliminate any doubt on that score and incorporate the IAC into the framework of the Lanham Act. The Court of Appeals also declined to create an abandonment defense to section 211 because the plain meaning of the statutory phrase "was used" precluded the Court from grafting a "continuous use" requirement onto the statute (24a). Finally, the Court of Appeals held that section 211 did not have an impermissible retroactive effect, because HCI sought only prospective injunctive relief and had no settled expectations that were upset.

The Court of Appeals, on the section 43(a) Lanham Act standing issue, decided there was no clear error in the District

Court's finding that Bacardi's use of the HAVANA CLUB mark in the United States does not adversely effect HCI's current and future sales of its rum to U.S. visitors to Cuba (29a). It was, the Court of Appeals determined, within the province of the trial court not to credit petitioners' improperly designed surveys on U.S. visitors to Cuba (*id.*). The Court of Appeals added that not all potential commercial injury is sufficient to confer standing, *PDK Labs, Inc. v. Friedlander*, 103 F.3d 1105, 1112 (2d Cir. 1997), and found "HCI's alleged injury amounts to the present diminution in the speculative value of its sales of Cuban-origin rum once the United States government removes the obstacle of the Cuban embargo" (30a). The Court of Appeals refused HCI's invitation to speculate as to whether the LIBERTAD Act would be amended, observing "by conferring standing to HCI based on its own prediction of Congress' actions, this Court would expand its authority well beyond any zone of twilight that might exist between legislative and judicial authority" (31a). Petitioners' claim of commercial injury was simply too remote to pass muster for standing. The Court of Appeals also held HCI's section 44(h) claim was little more than the re-assertion of its section 43(a) claim and rejected it as well (36a).

INTRODUCTION TO ARGUMENT

The Lanham Act is not "another layer of protection" for foreign owners of trademarks as petitioners suggest (Br. at 4). Congress, in enacting section 44(b) of the Lanham Act, as the Court of Appeals decided, specifically incorporated any treaty rights asserted under the IAC into the framework of the Lanham Act. So any rights HCI might have under the IAC must be asserted through section 44(b) of the Lanham Act. This decision accords with Art. 19 of the IAC which states that

"[t]he protection of commercial names shall be given in accordance with the internal legislation [of Contracting States]" (104a).

The United States' policy towards Cuba as exemplified by the Cuban embargo is based upon national security concerns. *See Regan v. Wald*, 468 U.S. 222, 225-26 (1984) (Cuban efforts to destabilize other Latin American governments prompted the CACR). The CACR were promulgated on the authority of the Trading with the Enemy Act, Pub. L. No. 65-91, 40 Stat. 411 (1917) ("TWEA"), (codified as amended as 50 U.S.C. App. 1, *et seq.*). This statute was first enacted in 1917 as a response to wartime emergencies and was amended in 1933 (after the IAC was ratified) to cover peacetime emergencies as well. While a 1977 amendment to TWEA eliminated the reference to peacetime emergencies, the CACR were grandfathered and continue to be based on the 1933 version of the act. The CACR, 31 C.F.R. § 515.201(b) and (c), draw upon the sweeping powers specifically set out in section 5(b) of TWEA, as amended, by prohibiting, with regard to any property in which a Cuban national or entity has an interest, "(1) all dealings in, including, without limitation, transfers . . . of, any property . . . or evidences of ownership of property [such as a U.S. trademark registration]." The CACR further provide that any transfer of property in violation of the Cuban embargo "is null and void and shall not be the basis for the assertion or recognition of any interest in or right, remedy, power or privilege with respect to such property." 31 C.F.R. § 515.203(a); (9a).

The national-security basis of the Cuban embargo was reemphasized by Congress as recently as 1996. The LIBERTAD Act states the Cuban embargo is essential "to provide for the continued national security of the United States in the face of

continuing threats from the Castro government of terrorism, [and] theft of property from United States nationals. . . ." 22 U.S.C. § 6022.

Clearly, any general policy as to the reciprocal protection of trademark rights as reflected in the IAC must give way, in the case of Cuba, to the specific prohibitions approved by the President and Congress in the 1933 TWEA and the 1963 CACR, both constituting more recent law, which proscribe all financial, commercial, or trade transactions, whether direct or indirect, involving Cuban assets within the United States. While TWEA and the CACR permit foreign nationals to maintain their legitimate trademarks, copyrights, and patents here, this is only so that those frozen assets can ultimately be used for the purposes TWEA and the CACR are aimed at accomplishing.[6] Any interpretation that would equate the right to maintain trademarks, copyrights, or patents here with the right to sell them to third parties not bound by the strictures of an embargo is absurd on its face, for it completely frustrates the purposes for which TWEA and the CACR were promulgated.

Petitioners go outside the record to discuss the activities of American companies which have obtained Cuban trademark registrations (Br. at 5). This is to give credence to the extrarecord threats of the Castro government to seize those marks, which threats are also improperly alluded to in the petition. *See Witters v. Washington Dep't of Servs. for the Blind*, 474 U.S. 481, 486 n.3 (1986); (Br. at 13 n.6). As Congress made clear in the

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6. The purposes of the CACR include: (1) preventing the Cuban government from acquiring dollars; (2) providing assets from which U.S. citizens can be compensated for wrongs committed by the Cuban government; and (3) using blocked assets as a negotiating tool with the Cuban government. *See Richardson v. Simon*, 560 F.2d 500, 505 (2d Cir. 1977), *appeal dismissed*, 435 U.S. 939 (1978).

statement of the purposes of the LIBERTAD Act quoted above, these threats to steal American property are part of a decades-long screed of the Castro government against the United States and its democratic institutions. And the congressionally ordained response to such Castro threats was to codify and prolong the embargo until some time after the present Castro regime is replaced, and to create a new civil claim for trafficking in property confiscated by the Castro government, which the Court of Appeals observed was designed to create a chilling effect that will deny the present Cuban regime venture capital (14a-15a). Plainly, the threats, which are relayed to this Court by parties which are half-owned by the Castro government, cannot be permitted to influence the judicial process or to blackjack a judicial reconstruction of the plain language of the CACR prohibiting the transfer of Cuban-owned property in the United States.

REASONS FOR DENYING THE WRIT

I. The Decision Below Follows This Court's Direction That A Clear Expression By Congress As To When A Subsequent Statute Governs Must Be Heeded

Petitioners argued on appeal that the core issue with respect to the trademark infringement claim was "whether the CACR general license covers the transfer. . . ." (10a). The Court of Appeals held that the CACR general license could not possibly have covered the transfer since the general license provision was not promulgated until a year after the transfers were "effected" in 1994 (10a-11a). Moreover, HCH, the party claiming rights in the HAVANA CLUB trademark, as a Luxembourg national, had no standing to assert IAC rights (7a). Whether the CACR abrogated trademark rights of HCH otherwise protected by the IAC, Art. 11 is thus not properly at

issue. These holdings are unassailable. Accordingly, this case does not raise the IAC trademark treaty issues that lie at the heart of petitioners' argument for a writ of certiorari.

In any event, the Court of Appeals' alternative decision faithfully follows settled law concerning when a subsequent federal law takes precedence over earlier trademark conventions. The Court of Appeals recognized and applied the principle enunciated in *Whitney v. Robertson*, 124 U.S. 190, 194 (1888) that when a treaty and a federal law relate to the same subject, the courts, if possible, will give effect to both, "but, if the two are inconsistent, the one last in date will control the other. . . ."

The CACR were originally promulgated under the 1933 version of TWEA. Congress, as the Court of Appeals noted, amended section 5(b) of TWEA in 1933 — four years after the IAC was ratified — "to authorize the President to act under section 5(b) '[d]uring time of war or during any other period of national emergency declared by the President' " (33a). In 1977, Congress removed this presidential power to act under section 5(b) in a declared national emergency, but the presidential authority with regard to the CACR was grandfathered.

Cubaexport registered the HAVANA CLUB trademark in the PTO. But the CACR clearly prohibited Cubaexport from selling any rights it had in this U.S. trademark, which is precisely what Pernod and Cuba tried to do through the Convenio. The unmistakable purpose of Congress with respect to the Cuban embargo, the Court of Appeals held, was to prevent any Cuban national or entity from attracting hard currency into Cuba by selling, assigning or transferring any right subject to U.S. jurisdiction, including trademark rights (14a).

This evidence of the congressional purpose, the Court of Appeals observed, was further strengthened by the recent

enactment of the LIBERTAD Act, which discourages third-country nationals from seeking to profit from illegally confiscated property and to preserve such property for restoration to its rightful owners by creating a new civil remedy (15a). Contrary to petitioners' contention, the Court of Appeals did not rely on the LIBERTAD Act or section 211 in holding that the attempted assignment violated the CACR. Citing this Court's opinion in *West Virginia University Hospitals, Inc. v. Casey*, 499 U.S. 83, 100 (1991), the Court of Appeals simply found additional confirmation of Congress' previously evinced intent by noting the most recent instances of Congress' consistently strict interpretation of the CACR prohibitions. Indeed, the Court of Appeals carefully pointed out, "we do not retroactively apply [the LIBERTAD] Act to prohibit the assignments in this case" (16a).

In sum, the Court of Appeals held that this unmistakable congressional intent prevailed over any contrary argument that the earlier language in the IAC, Art. 18, concerning trade name protection required the OFAC general license provision to be twisted into a provision permitting the outright sale of trademarks to non-Cuban companies. Because such a tortured interpretation would render the embargo a nullity, to the extent of the clash, the earlier IAC had to give way to the CACR.

The decision below does not, as petitioners urge, allow a regulation to abrogate a treaty.[7] The CACR were promulgated long after the IAC under TWEA, as amended, and other federal statutes, *see Miranda v. Secretary of the Treasury*, 766 F.2d

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7. Petitioners' argument below was directed to section 515.527(a)(1). As that regulation was not in effect, plainly a specific OFAC license was mandated for the transfer. So now petitioners attack the CACR as a whole. Ignored is the fact that HCH has no IAC trademark rights.

1, 6-7 (1st Cir. 1985), and carry out the clearly expressed aims of Congress and the President as to Cuba. The broad CACR prohibition regarding dealings in Cuban property in the United States comes right out of the sweeping language of TWEA, section 5(b). The Court of Appeals, adhering to this Court's precedent, stated:

> [w]hether or not deference to an administrative agency's interpretation of its own provisions would override treaty provisions in other contexts, we have no doubt that Congress, whose purpose we are ultimately obliged to follow on this issue, expects that OFAC's restrictive interpretation of section 515.527(a)(1) will override any conflicting treaty protection.

(15a). Petitioners' real quarrel is not with the Court of Appeals' interpretation of the general license provision, but with the Cuban embargo itself.

Similarly, petitioners' argument based on Art. 11 of the IAC fails on the merits because of the clear expression of Congress' intent to override any contrary trademark treaty provision, including Art. 11 of the IAC. *See Cook v. United States*, 288 U.S. 102, 120 (1933); (13a-14a).

Petitioners' arguments with regard to section 211 are also fatally flawed because Congress could not have been clearer that this statute was meant to apply to the facts at bar. Section 211 applies to designated Cuban nationals like HCI and was applied here in accordance with its unambiguous terms to prevent HCI from asserting rights in the stolen "Havana Club" trade name, which was used with the family rum business seized from JASA, without compensation, by the Castro regime. No principled reading of section 211 supports petitioners'

argument as to the inapplicability of section 211, since section 211(b) explicitly states that no court shall enforce any "treaty" rights asserted by a "designated [Cuban] national" in these circumstances. This wording shows unequivocally that the IAC was to be superseded by section 211. As discussed above, the Lanham Act is the exclusive vehicle for asserting all trademark treaty claims. Thus the contention that HCI had a separate claim under the IAC is unavailing. Indeed, petitioners' argument that section 211 is inapplicable to the assertion of IAC treaty rights by Cuban nationals would render section 211 a nullity. This is patently absurd.

Moreover, international law does not require the recognition of trademark rights, when doing so would offend the public policy of the United States (and many other nations including France) against giving domestic effect to uncompensated foreign expropriations. *See e.g.*, *Baglin v. Cusenier Co.*, 221 U.S. 580, 596 (1911) (confiscatory decree of French government "cannot be conceived to have any extraterritorial effect"); *Republic of Iraq v. First Nat'l City Bank*, 241 F. Supp. 567, 574-75 (S.D.N.Y. 1965) (same), *aff'd*, 353 F.2d 47 (2d Cir. 1965), *cert. denied*, 382 U.S. 1027 (1966); *Compania Ron Bacardi, S.A. v. Bank of Nova Scotia*, 193 F. Supp. 814, 815 (S.D.N.Y. 1961) ("the public policy of our nation is antithetical to the recognition of the Cuban government's confiscatory decree with respect to property outside Cuba").

The abandonment issue interjected by petitioners is a red herring (Br. at 16). The decision below noted that "section 211(b) requires only that a trade name 'was used' in connection with a confiscated business or asset, not that the trade name continues to be used" (24a). The use of the past tense, the Court of Appeals determined, was significant, for where "the statute's language is plain, the sole function of the courts is to enforce it

according to its terms." *United States v. Ron Pair Enters., Inc.*, 489 U.S. 235, 241 (1989) (internal quotations and citations omitted). Consequently, the Court of Appeals declined to create an abandonment defense. Moreover, if abandonment was to be a defense to section 211, Congress knew how to enact such a defense. Finally, the Court of Appeals noted, in equity, that "[i]t is not likely that Congress wished to disadvantage a company that understandably ceased to use its trade name after the confiscation of its business" (25a).

II. The Decision That Petitioners Had No Standing To Pursue A Section 43(a) False Designation Of Origin Claim Accords With Long Standing Lanham Act Precedent And Fails To Conflict With Any Treaty Rights Of Petitioners

The Court of Appeals affirmed that petitioners had no standing to pursue a false designation of origin claim under section 43(a) of the Lanham Act. Again, petitioners misportray the dispositive issue, wrongly stating that the Court of Appeals concluded "that petitioners suffer no concrete effects from the wholesale appropriation of their name and brand identity in a market they plan to enter . . ." (Br. at 19).[8] This assertion presupposes that petitioners possess "name and brand identity rights" that the courts concluded petitioners never had. The sole issue for the Court of Appeals regarding standing for the false advertising claim was whether petitioners had shown any probable injury attributable to Bacardi's alleged false advertising. Petitioners, which did no business in the United

8. "Name" and "brand identity" rights differ markedly though petitioners indiscriminately lump them together. A "trade name" is any name used by a person to identify its business; as distinguished from a brand identity or trademark which identifies and distinguishes products emanating from the same source. *See* 15 U.S.C. § 1127.

States and had no prospects of entering the U.S. spirits market because of the embargo, had no such injury.

Petitioners argue fallaciously that the Court of Appeals' decision establishes a *per se* rule that companies subject to U.S. trade embargoes may not protect their trade names and brand identities against infringement. This is preposterous. The decision below cannot be read as laying down any *per se* rule on standing. The Court of Appeals explicitly rejected this *per se* argument, pointing out that "[a]lthough an embargo might make it more difficult for such a plaintiff to show such injury, a company in an embargoed country still might, in some circumstances, suffer sufficient risk of competitive harm, due to a defendant's infringement, to obtain an injunction" (34a-35a). Petitioners' circumstances were unique and the Court of Appeals' decision below cannot be extrapolated and applied to future plaintiffs from other outlaw nations that may be embargoed.

Moreover, the argument that Bacardi's sales in the United States would somehow dilute the supposed brand identity that has been built up by petitioners among U.S. tourists to Cuba (Br. at 21) is nothing more than another factual contention petitioners could not prove at trial. The Court of Appeals held it was not clear error for the District Court to have found that HCI was *not* adversely affected by Bacardi's sales of HAVANA CLUB rum in the United States (30a). As the District Court observed, any confusion was unlikely as those U.S. travelers to Cuba must comply with OFAC travel restrictions and are fully aware of the embargo on Cuban goods (62a).

The false advertising branch of section 43(a) of the Lanham Act protects a manufacturer or distributor engaged in interstate commerce in the United States from unfairly losing sales to a

competitor which makes material false statements which deceive potential customers about the quality or origin of the goods or services in question. Petitioners, having lost their trademark and trade name claims, sought to misuse section 43(a) to protect "name" and "brand identity" rights they never had. Naturally, this failed. Petitioners had no sales to lose. Petitioners' far-fetched claim of somehow losing future sales — should the embargo be ended and should petitioners still be doing business in post-Castro Cuba under the stolen HAVANA CLUB mark after democracy was restored — was far too remote and speculative to confer standing.

The contention that under the law of other circuits petitioners would have had standing is ludicrous (Br. at 22). No such split among the circuits exists. None of the cases cited by petitioners from the First, Sixth and Ninth Circuits conferred standing on foreign plaintiffs who had never conducted business in the United States and were prohibited from doing so for the foreseeable future. Petitioners lack standing to bring their section 43(a) Lanham Act claim in every court in this country.

Camel Hair & Cashmere Inst. of Am., Inc. v. Associated Dry Goods Corp., 799 F.2d 6 (1st Cir. 1986) has no application. In *Camel Hair*, a trade association brought suit against clothing retailers for selling mislabeled cashmere coats. *Id.* at 7. The First Circuit reversed a decision that the attenuated injury to the association was insufficient for standing and applied the associational standing doctrine first articulated by this Court in *Warth v. Seldin*, 422 U.S. 490 (1975). Under that test, an association has standing provided that it can show that its members have standing to sue in their own right. *Camel Hair*, 799 F.2d at 10-11. Since the members in *Camel Hair* had standing because their business suffered whenever the reputation of cashmere was denigrated, *id.* at 12, the First Circuit held the trade association had standing.

Petitioners are not associations. Nor could HCH or HCI show the same direct injury that the members of the association did in *Camel Hair*. Accordingly, that case does not help petitioners here.

In *Amer. Council of Certified Podiatric Physicians & Surgeons v. Amer. Bd. of Podiatric Surgery, Inc.*, 185 F.3d 606 (6th Cir. 1999), a certification board for podiatric surgeons brought an action against a competing board alleging violations of the Sherman Act, the Michigan Antitrust Reform Act, the Lanham Act, as well as common law claims. The plaintiff's standing was never an issue in that case. Accordingly, the cherry-picked quote that petitioners insert in a parenthetical to their citation to that case has no bearing on the standing issue before this Court (Br. at 22).

In *Southland Sod Farms v. Stover Seed Co.*, 108 F.3d 1134 (9th Cir. 1997), seed and sod producers sued competitors under the Lanham Act for false advertising. In deciding whether plaintiffs were sufficiently injured to bring their section 43(a) claim, the Ninth Circuit held that based on plaintiffs' evidence, a reasonable jury could conclude "that Plaintiffs suffered actual injury as a result of Defendants' advertisements." *Id.* at 1146. Thus, petitioners — which did not and could not demonstrate any actual injury below — would have no greater success in bringing their trade name claim in the Ninth Circuit than they did here.

Petitioners' purported right to act as a private attorney general protecting consumer interests under section 43(a) has also been repeatedly rejected. *See, e.g., Colligan v. Activities Club of New York*, 442 F.2d 686 (2d Cir. 1971) (consumers lack standing under the Lanaham Act). Indeed, as the District Court pointed out, simply because petitioners lack standing does

not mean the alleged false designation of origin — if true — will go unremedied.[9] Bacardi's existing competitors have standing to seek redress if consumers are being deceived by the supposed misdesignation. Furthermore, the Bureau of Alcohol Tobacco and Firearms ("BATF") has primary jurisdiction over the labeling of rum and other beverage alcohol products and its regulations prohibit the use of geographically misleading brand names. *See* 27 C.F.R. § 5.34(a).

Petitioners also misquote the Court of Appeals and fallaciously argue that "prior to 1988, there would be no question that petitioners had standing" (Br. at 23 n.14). The Court of Appeals considered and rejected this argument, stating "we have found no case decided before 1988 that recognized standing under section 43(a) based on HCI's interpretation of the pre-1988 version of section 43(a)" (28a). In all the pre-1988 cases cited by petitioners, the Court of Appeals found the plaintiffs, unlike the petitioners here, demonstrated likelihood of injury, because they competed with defendant in the same areas of the United States (*id.*).

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9. Bacardi was using the HAVANA CLUB brand in the United States in interstate commerce prior to January 1, 1996. The Lanham Act, 15 U.S.C. § 1052(a), *et seq.*, as amended, provides that a trademark that arguably has geographic significance but which was in use prior to January 1, 1996, may be maintained and registered although it might otherwise be considered geographically misdescriptive. In the Statement of Administrative Authority, Cong. Rec. Vol. 140 (1994), U.S.C.C.A.N., 103d Cong. 2d Sess. 1994, Congress, in connection with TRIPs, stated, with respect to wine and spirits brands, that "[a]ny trademark containing a geographic indication that is currently registered or *in use*, or that is registered or *in use* [before January 1, 1996] *may be maintained*" (emphasis added). This policy was then implemented in an amendment to 15 U.S.C. § 1052(a), which "grandfathers" the usage by Bacardi of the mark HAVANA CLUB. Thus a violation is quite doubtful.

Petitioners argue for the first time in their petition that the provisions of IAC Art. 21 and Art. 23 dealing with indications of geographical origin somehow support their claim for standing under section 43(a). This argument was not made to the Court of Appeals where instead petitioners argued that these Articles of the IAC supported a separate claim directly under section 44(h). The Court of Appeals rejected this argument, noting that IAC, Art. 21, authorizes the prohibition of specified acts of unfair competition "unless otherwise effectively dealt with under the domestic law of the Contracting States" (36a). Since section 43(a) of the Lanham Act specifically dealt with this sort of claim, the Court of Appeals held HCI did not have a separate viable 44(h) claim (36a).

III. The Second Circuit Did Not Apply Section 211 Retroactively

Section 211(b) provides that no U.S. court shall recognize rights asserted by a "designated [Cuban] national" or its successor to a trade name that was used in connection with a business or asset confiscated without the consent of the original owner of that trade name. Since the "Havana Club" rum business was confiscated by the Castro regime without the payment of any compensation to JASA and since petitioner HCI did not have JASA's consent to use that trade name here, the Court of Appeals held that under section 211(b), HCI's trade name claim was precluded.

Section 211 was not retroactively applied. The Court of Appeals properly considered this Court's decision in *Landgraf v. USI Film Products*, 511 U.S. 244, 280 (1994), and held that since HCI sought only prospective injunctive relief on its trade name claim, application of section 211 would not have a retroactive effect. This decision follows the precedent of this

Court dating back more than a century, holding that injunctive relief by its nature operates *in futuro*. *See Pennsylvania v. Wheeling & Belmont Bridge Co.*, 59 U.S. (18 How.) 421, 431-32, 436 (1855). The propriety of such injunctive relief must be determined at the time of the hearing.

Petitioners' argument that this holding ignores harm to their "settled expectations" is, once again, fallacious. This argument was considered and rejected below, because petitioners were unable to show any such injury during trial. The District Court found "[a]t the time that HCI began its business in 1994 and to this day, it has been aware that the embargo prevents it from selling rum in the United States" (52a). Since HCI had no sales or reputation in the United States, the District Court found application of section 211 did not unfairly upset HCI's settled expectations or impair its investments (*id.*).

Pernod's admitted fear of litigation by the Arechabalas and its efforts to buy their rights in the HAVANA CLUB name and mark belie any claim that Pernod (in any event, a non-party whose expectations are irrelevant to petitioners' standing) relied on JASA's supposed abandonment of its rights. At most, Pernod's lawyers conjectured on the possible outcome of a series of knotty legal problems. This is scarcely a "settled expectation."

CONCLUSION

Petitioners' predicament is of their own making. Pernod bought from the Castro government rights in a U.S. trademark that Pernod knew Castro had expropriated from JASA. Pernod and the petitioners also knew that the CACR prohibited Cubaexport, the record title holder, from transferring that trademark to HCH. Petitioners, recognizing that the payment of hard currency for that trademark was proscribed by the CACR, submitted a sworn license application to OFAC concealing that the assignment involved the transfer of the

HAVANA CLUB trademark to a Luxembourg company in exchange for the payment of hard currency to Cuba. Once OFAC realized the true nature of the transaction, this license was revoked *ab initio*. Petitioners, left to solve the plight caused by their duplicity, added an ill-thought out IAC trade name claim which could not be won on the merits to a section 43(a) Lanham Act claim which petitioners never had any standing to pursue.[10] This is scarcely a suitable premise for the intervention of this Court.

Petitioners here paper over or ignore entirely the basic flaws in their case and beseech this Court to exercise its extraordinary jurisdiction to resolve questions of international law that are not resolvable on the facts of petitioners' case and the record below. A dispassionate review shows that petitioners' factual quagmire is unique and that the rulings of the District Court unanimously affirmed by a distinguished panel of the Second Circuit Court of Appeals are entirely consonant with the prior decisions of this Court.

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10. Petitioners' premise that reciprocal trade name rights are protected under international trademark conventions is, again, false. Trade name protection falls outside the scope of TRIPs and traditionally has depended on the internal legislation of convention members. Accordingly, the United States and most of its trading partners, including Canada, Mexico, France, and Spain all require actual use of a trade name within their respective boundaries before trade name protection will be accorded. *See Protection of Corporate Names: A Country by Country Survey* App-3 (International Trademark Association 1999) at CA-5, ME-8, FR-6 and SP-8. HCH admitted it never used the "HAVANA CLUB" trade name in the United States so its trade name claim was doomed to failure on the merits just as it would have been in most foreign jurisdictions, including France.

For the reasons previously stated, the petition for a writ of certiorari filed on behalf of petitioners HCH and HCI should be denied.

Respectfully submitted,

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